

Is the TSP Offering a Roth 401(k) Plan?

No. The Thrift Savings Plan (TSP) is not offering a Roth 401(k) plan. This Fact Sheet explains why.

What is a Roth 401(k) plan?

A Roth 401(k) plan allows participants to contribute after-tax money to the 401(k) plan. However, these contributions, plus any pre-tax contributions to the participant's 401(k) plan(s), cannot exceed the IRS elective deferral limit for the year. Earnings on Roth 401(k) plan contributions are generally tax free. There are other rules that apply.

Is the TSP authorized to offer a Roth 401(k) plan?

Roth 401(k) plans are permitted under the U.S. Tax Code for years 2006–2011. Private sector plan sponsors may modify their plan documents to allow this option. However, the TSP “plan document” is a statute incorporated into title 5 of the U.S. Code. Title 5 was not amended to authorize Roth accounts for the TSP, and the Federal Retirement Thrift Investment Board, which administers the TSP, is not seeking such authorization.

Why isn't the TSP seeking authorization?

The benefits of a Roth 401(k), as compared to a traditional 401(k), may well be marginal or nonexistent for many TSP participants. This issue was analyzed by Mike Miles, a recognized and respected financial planner, in his September 5, 2005, column on this topic in the *Federal Times*.

Perhaps most critically, providing Roth 401(k)-like TSP accounts would be a massive administrative undertaking for the TSP. It would entail an enormous effort to overhaul our systems and communications materials, implement an after-tax retirement savings program in addition to our current pre-tax program, and educate 3.5 million participants about how to choose wisely between the two approaches. Agency and uniformed services payroll and personnel systems would also have to be changed substantially to submit these after-tax contributions to the TSP.

The costs of the TSP's effort would be borne directly by participants, as the TSP does not receive appropriations of taxpayer funds from the Congress. The TSP Board must manage the funds in the Plan at low cost and solely in the interest of participants and beneficiaries. Therefore, the TSP is not recommending that the Congress amend the law to authorize “Roth 401(k)” accounts in the TSP at this time.